



# Financial Statement

## January-December 2007

Submitted for publication at 8 a.m. on 8 February 2008

	Quarter			Full year	
	2007 IV	2007 III	2006 IV	2007	2006
Net turnover, MSEK	2 068	1 874	1 867	7 758	7 369
Operating profit/loss, MSEK	243	153	176	590	552
Operating margin, %	12	8	9	8	7
Profit/loss after financial items, MSEK	209	122	150	473	457
Net profit/loss, MSEK	153	85	90	336	312
Earnings per share, SEK	2.96	1.65	1.75	6.52	6.08

### Full year 2007 compared with full year 2006

- Net turnover was MSEK 7,758 (7,369), up 5%.
- Net profit was MSEK 336 (312).
- Earnings per share were SEK 6.52 (6.08).
- Operating profit was MSEK 590 (552), up MSEK 38, or 7%.
- The operating margin was 8% (7). The improved margin was mainly due to price rises and mix improvements which compensated the increase in wood costs of MSEK 425.

### Final quarter of 2007

- Net turnover was MSEK 2,068, up 11% on the final quarter of 2006, of which 10% was due to better prices and the customer mix.
- Operating profit was MSEK 243, an increase of MSEK 67, or 38%, compared with the final quarter of 2006.
- Demand remained stable and prices developed positively.
- Wood costs per produced unit fell slightly compared with the third quarter.

### Proposed dividend

- The Board proposes a dividend of SEK 3.50 (3.50) per share for 2007.

### Outlook for 2008

- The market outlook for the first part of the year is expected to remain stable, with supply and demand well balanced on most of Billerud's markets, although some of the smaller segments in the kraft paper sector are slowing down.
- Good prospects for continued positive price development in most parts of Billerud's markets.
- Wood costs per tonne of produced product in the first quarter of 2008 are expected to be at around the same level as in the second half of 2007.
- Work continues on improving efficiency and reducing costs.

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**Billerud's President Per Lindberg and CFO Bertil Carlsén will present the Financial Statement live at a press conference for analysts and journalists today at 10 a.m. Location: Spårvagnshallarna, Birger Jarligatan 57 A, Stockholm. Watch the press conference at [www.billerud.se](http://www.billerud.se)**

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Billerud is a packaging paper company with a business concept to supply customers with innovative and high quality packaging paper. A consistent concentration on attractive market segments and a strong customer focus are cornerstones of Billerud's strategy. Billerud focuses on kraft paper and containerboard and has a world-leading position within several product segments. The company's production units are among the most cost-efficient in Europe for these products.

## **Billerud Group**

### **Market**

The market situation and demand for Billerud's products were favourable throughout 2007. Good demand provided opportunities for price increases for nearly all of the Group's products.

During the year a number of important steps were taken aimed at getting closer to Billerud's end-customers, and to secure and develop value creation for end-customers when using Billerud's products:

- Billerud Box Lab was opened in June to offer customers in the fruit and vegetable sector help in optimising product selection and box design for sustainable packaging.
- The Billerud Fresh Services Concept was formed with the aim of helping wholesalers and retailers to reduce production losses in the fruit and vegetable delivery chain.
- NINE Total Packaging Partner was started up in partnership with industrial design company, No Picnic, in order to assist brand owners in the food industry with packaging development and product development.
- Quick-Fill@Xrun, a new sack paper with improved runnability that enables sack producers to increase productivity by up to 20%.
- A sales office was opened in Shanghai in order to work closer with Billerud's customers in China.

Deliveries in 2007 amounted to 1,333,000 tonnes, down 2% compared with 2006. The reduction is related to lower production caused by there being more planned maintenance stops in 2007 compared with 2006. Billerud's total deliveries in the final quarter of 2007 amounted to 341,000 tonnes, up 7% on the third quarter.

Deliveries of packaging paper in 2007 amounted to 1,007,000 tonnes, down 43,000 tonnes compared with 2006. Deliveries of packaging paper in the final quarter of 2007 amounted to 262,000 tonnes, up 7% on the previous quarter.

In the full year a total of 326,000 tonnes of market pulp were delivered, up 4% compared with 2006. In the final quarter of 2007 deliveries of market pulp amounted to 79,000 tonnes, up 7% on the previous quarter.

### **Sales and results**

#### ***Full year***

Compared with the 12 months of 2006, net sales in 2007 climbed by 5% to reach MSEK 7,758. This increase is explained primarily by higher prices in local sales currencies. On average prices in 2007 were 10% higher than in 2006, or 7% after the effects of currency changes.

The operating profit for the full year was MSEK 590. Compared with the previous year, operating profit rose by MSEK 38. Large increases in wood costs and the negative effects of currency changes were countered by higher prices for Billerud's products. Wood costs increased by MSEK 425, or 5.5% of net sales. Comparisons are affected by the fact that a maintenance stop was carried out at Gruvön in 2007 but not in 2006.

The following non-recurring items also affected operating profit in 2007: Method adjustment of the Group's accounting principles (Q4), MSEK +24; repayment of excessively debited property tax from previous year (Q4), MSEK +14; dissolution of unutilised reserve for the Billerud 2007 project (Q2), MSEK +27; and increased costs due to production disruption after maintenance stop at Gruvön (Q2), MSEK -50.

The deviation was divided among the following components (MSEK):

	Q 1-07/ Q 1-06	Q 2-07/ Q 2-06	Q3-07/ Q3-06	Q4-07 Q4-06	Jan-Dec 07/ Jan-Dec 06
Delivery and production volumes, including product mix	0	-40	+5	+41	+6
Sales prices (in respective sales currency)	+183	+199	+163	+217	+762
Change in variable costs	-25	-80	-144	-200	-449
Change in fixed costs	+4	-96	-5	+34	-63
Change in depreciation	-6	-7	-1	+7	-7
Effects of exchange rate changes, including hedging	-43	-66	-70	-32	-211
Total change in earnings	+113	-90	-52	+67	+38

The increase in variable costs mainly comprises higher wood raw material costs, MSEK 425. Average prices for wood supplies in 2007 were 21% higher than average prices in the final quarter of 2006. Higher variable costs were countered to some extent by lower electricity and energy costs amounting to MSEK 42. Fixed costs have risen mainly because more maintenance stops were performed in 2007 than in 2006.

Net financial items were MSEK -117, an increase of MSEK 22 compared with 2006, primarily due to higher interest rates.

Earnings before tax amounted to MSEK 473. The estimated tax cost was MSEK 137, representing a tax rate of 29%.

Return on shareholders' equity in the period was 12% (12) and the return on capital employed was 11% (11). The proposed dividend is SEK 3.50 per share (3.50).

### ***Final quarter***

Net sales reached MSEK 2,068, up 11% on the final quarter of 2006 due to higher prices.

Operating profit was MSEK 243, up MSEK 67 or 38% compared with 2006. Operating profit in the final quarter of 2007 was positively affected by non-recurring items relating to method adjustment of the Group's accounting principles and repayment of excessively debited property tax amounting in total to MSEK 38. Average prices for wood supplies in the final quarter of 2007 was 30% higher than average prices in the final quarter of 2006.

Net financial items were MSEK -34, down MSEK 8 compared with the final quarter of 2006, due to higher interest rates.

The estimated tax cost was MSEK -56, representing a tax rate of 27%.

### **Significant risks and uncertainties**

Billerud's products are generally dependent on the business cycle in terms of both price development and delivery volumes. The Group is exposed to changes in currency exchange rates because most of the revenues are invoiced in foreign currency while costs are incurred in SEK.

Billerud does not own its own forest but purchases wood materials at market rates from a few major suppliers. The price of wood has risen as shortages have occurred.

To meet growing competition for wood, Billerud has formed Billerud Skog AB whose role will be supply raw materials to Billerud's mills.

Through the formation of Billerud Skog AB, the wood purchasing department is being strengthened with resources so that from the final quarter of 2007 it can handle a larger number of suppliers in future.

Inventories of wood and trees standing in the forest increased in 2007 due to the purchasing activity of Billerud Skog AB.

For an analysis of business sensitivity and further details of risks, see pages 46-48 of Billerud's 2006 Annual Report.

On 10 December 2007 the Swedish Environmental Protection Agency announced that it was fining Billerud MSEK 19 for incorrect reporting of emission rights utilised in 2006. Billerud's assessment is that the company has fulfilled its commitments and that a penalty of MSEK 19 is neither proportionate nor backed by law. Billerud has appealed against the decision and the only reserve in the 2007 accounts relating to this matter is for an assessed late payment charge of SEK 80,000.

#### **Transactions with related parties**

No transactions have been carried out between Billerud and related parties that would significantly affect the position and results of the company.

#### **Currency hedging**

During 2007 net flows were hedged at the following rates: EUR/SEK 9.20 (9.46), USD/SEK 6.95 (7.46), GBP/SEK 13.52 (13.55) and DKK/SEK 1.23 (1.25). Currency hedging had an overall positive effect on profits of MSEK 16 (143), compared with if no hedging had been performed, of which MSEK 13 (69) was in the final quarter.

Billerud's outstanding currency contracts as of 31 December 2007 had a market value of MSEK 14. The share of contracts corresponding to accounts receivable affected results during the period. Other contracts, i.e. outstanding contracts on 31 December 2007 not corresponding to accounts receivable, had a market value of MSEK 10.

Billerud continually hedges around 50% of forecast net flows over the forthcoming 12-month period, but in accordance with its finance policy, updated with regard to currency hedging in September 2007, Billerud may, following a decision by the Board, extend hedging to 100% of net flows over 15 months if this is considered suitable with regard to profitability and the currency situation.

During the final quarter of 2007 it was decided to extend hedging of EUR up to a maximum of 100% of the 15-month flow at an average rate of 9.45. 92% of Billerud's net flow in EUR in 2008 are thereby hedged at an average rate of 9.37.

#### **Hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP**

DKK accounts for just 0.4% of total hedged flows and is therefore not included in the table. The table shows the situation as of 31 December 2007.

<b>Currency</b>		<b>Jan-June 2008</b>	<b>Jul-Dec 2008</b>	<b>Total 2008</b>
EUR	Proportion of total flow	93 %	91 %	92 %
	Rate	9.34	9.41	9.37
USD	Proportion of total flow	79 %	22 %	50 %
	Rate	6.63	6.49	6.60
GBP	Proportion of total flow	77 %	10 %	44 %
	Rate	13.30	13.01	13.26

As of 29 January 2008, Billerud has hedged around 92% of estimated net flows in EUR over 12 months, around 52% of estimated net flows in USD over 12 months, around 42% of

estimated net flows in GBP over 12 months and around 48% of estimated net flows in DKK over 12 months.

## Investments and capital employed

Net investment amounted to MSEK 657 (643).

Depreciation in 2007 amounted to MSEK 473 (466).

Billerud's capital employed amounted to MSEK 5,506 as of 31 December 2007, compared with MSEK 5,190 on 31 December 2006.

The return on capital employed over the most recent 12 months was 11%, compared with 11% for the full year 2006. The return on shareholders' equity after tax was 12%. If the effects of currency hedging are not included, the return on capital employed over the most recent 12-month period was 11%.

## Cash flow and financial position

Cash flow from current activities in 2007 amounted to MSEK 730, compared with MSEK 794 in the previous year. Lower cash flow was mainly due to increased tied-up operating capital and higher negative net financial items which were only partly countered by an improved operating surplus.

Ongoing investments are higher than in the same period in 2006 due to the upgrades that have been agreed for PM7 at Skärblacka and PM2 at Gruvön as well as the investment in new causticising equipment at Gruvön that began during the year.

Operating cash flow amounted to MSEK 74, compared with MSEK 166 in 2006. The dividend for 2006 of SEK 3.50 per share, a total of MSEK 180, was paid in May 2007.

On 31 December 2007 interest-bearing net debt amounted to MSEK 2,607, compared with MSEK 2,513 on 31 December 2006. The Group's net debt/equity ratio at the end of the period was 0.90, compared with 0.94 at the end of 2006. According to Billerud's financial targets, the ratio should be between 0.6 and 0.9.

## Cash flow summary

<b>MSEK</b> <i>(positive figure indicates a reduction in debt)</i>	<b>Jan-Dec 2007</b>	<b>Oct-Dec 2007</b>	<b>July- Sept 2007</b>	<b>Jan-Dec 2006</b>
Current activities	730	393	36	794
Current net investments, excluding energy projects	-650	-194	-140	-359
Energy project investments	-6			-269
Operating cash flow	74	199	-104	166
Dividend	-180	-	-	-167
Other items not affecting cash flow				
	12	4	2	-9
Change in net debt during the period	-94	203	-102	-10

## Financing

Interest-bearing loans as of 31 December 2007 amounted to MSEK 3,152. This includes utilisation of MSEK 133 of a syndicated bank loan (maximum: MSEK 1,800), utilisation of MSEK 1,682 of bond loans and utilisation of MSEK 1,337 of Billerud's certificate programme (maximum: MSEK 1,500).

## Personnel

The average number of employees during the year was 2,364, a reduction of 112. The number of employees on 31 December 2007 was 2,352, compared with 2,437 one year earlier, i.e. a reduction of 85.

## Business areas

Billerud's net turnover and operating profit/loss per business area are reported below. The results of the business areas are reported excluding the effects of currency hedging and, from 2007, excluding the effects on profits of restating customer receivables in foreign currency and currency effects in connection with payments. These effects are reported on a separate line, Currency hedging etc. The part of currency exposure relating to changes in invoicing rates continues to be included in the results of the business areas. Comparable figures have been adjusted in line with the new definition.

Billerud is monitored and controlled operationally from a business area perspective. This applies for sales, operating profit/loss, product development and market investments. With regard to fixed assets and capital investments a division into business areas with the chosen structure is not possible as the business areas are strongly integrated in terms of production. For accounting purposes and with regard to the definition of business segments in IAS 14, the company will continue to conduct its activities in one business segment.

## Net turnover and operating profit

	Net turnover						Operating profit					
	Q 4	Q 3	%	Jan-Dec	Jan-Dec	%	Q 4	Q 3	%	Jan-Dec	Jan-Dec	%
MSEK	2007	2007	change	2007	2006	change	2007	2007	change	2007	2006	change
Packaging & Speciality Paper	1 072	969	11	3 989	3 750	6	144	96	50	355	350	1
Packaging Boards	577	546	6	2 171	2 188	-1	71	64	11	179	175	2
Market Pulp	382	360	6	1 556	1 382	13	22	11	100	81	46	76
Currency hedging, etc.	37	-1		42	49		37	-1		42	49	
Other and eliminations	0	-		0	-		-31	-17		-67	-68	
<b>Group total</b>	<b>2 068</b>	<b>1 874</b>	<b>10</b>	<b>7 758</b>	<b>7 369</b>	<b>5</b>	<b>243</b>	<b>153</b>	<b>59</b>	<b>590</b>	<b>552</b>	<b>7</b>

## Packaging & Speciality Paper

### Final quarter

The operating profit for the period was MSEK 144. Compared with the third quarter, profit climbed by MSEK 48, or 50%, mainly due to higher delivery volumes and higher prices in local currencies.

The operating margin was 13%, compared with 10% in the third quarter.

### January-December

Compared with the same period last year, operating profit climbed by MSEK 5 or 1% to MSEK 355. Higher raw material costs and negative currency effects were countered by improved prices in local currencies. Profitability at Billerud's mill for speciality paper at Beetham improved during the year. Work continues to focus the business on medical and high quality speciality paper.

### Market development

The market for sack paper, especially brown sack paper, remained good with strong deliveries towards the end of the year and order books were good for the season. Demand on non-European markets remained very good. Price trends are positive, with price increases of EUR 60 per tonne announced from 1 January 2008 for sack paper. The markets for MG and MF kraft paper weakened slightly during the quarter, which can partly be explained by seasonal variations. The price picture is stable. A price increase of EUR 50 per

tonne was announced from 1 January 2008 for MG and MF kraft paper, and this is expected to be partly implemented.

## **Packaging Boards**

### *Final quarter*

The operating profit was MSEK 71. Compared with the third quarter of 2007, profit increased by MSEK 7, or 11%, mainly due to higher delivery volumes. The operating margin was 12% compared, unchanged on the previous quarter.

### *January-December*

Compared with the same period last year, operating profit climbed by MSEK 4 or 2% to MSEK 179. Reduced deliveries and higher costs for wood were matched by higher prices in local currencies.

### *Market development*

The market for S/C fluting remains good, with a stable order book. Despite a small seasonal fall towards the end of the year, deliveries remain strong and overall in line with production. Price trends remain positive. The market for white liner is stable with stable order books. A small seasonal fall in deliveries was noted towards the end of the year. The price picture is stable, with some opportunity for price increases. During the quarter price rises and improvements in the customer mix were achieved.

## **Market Pulp**

### *Final quarter*

The operating profit was MSEK 22. Compared with the previous quarter, operating profit climbed by MSEK 11. Volumes were 7% higher than the previous quarter.

### *January-December*

Operating profit increased by MSEK 35, compared with the same period last year due to higher volumes and improved prices significantly exceeding higher costs for wood.

### *Market development*

Demand and the market balance remained favourable during the final quarter. At the start of 2007 the price for long-fibre sulphate pulp was USD 730 per tonne. The price rose to around USD 865 per tonne during the final quarter. The pulp market is expected to retain its good balance in the first quarter of 2008 with announced price increases being fully implemented. Some producers of market pulp will make their annual maintenance stops in the spring, which combined with strong demand should secure a good market situation during the second quarter and further price rises before the summer may be possible.

## **Maintenance stops**

In addition to continuous maintenance while machines are running, Billerud's mills normally require more extensive maintenance at some point during the year. To perform this maintenance, production of pulp and paper is stopped during the so-called maintenance stop. Completed and planned maintenance stops are shown below.

<b>Mill</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Gruvön	Q 4, 7 days	Q 2, 8 days	No stop
Karlsborg	Q 3, 10 days	Q 3, 7 days	Q 3, 8 days
Skärblacka	Q 2, 8 days	Q 2, 7 days	Q 1, 5 days
Beetham	Q 3, 13 days	Q 3, 24 days	Q 3, 14 days

## **Parent company**

Billerud AB includes the Gruvön mill, the sales organisation for the Nordic markets and markets outside Europe, and head office staff.

Net turnover in 2007 amounted to MSEK 3,333 (3,287). The operating profit was MSEK 141 (301), a fall of MSEK 160 compared with last year, mainly due to lower delivery volumes and higher maintenance costs caused by the maintenance stop at Gruvön in the second quarter. There was no maintenance stop at Gruvön in 2006. Earnings were affected by a write-down of shares in subsidiaries amounting to MSEK 70 (30). Earnings also include dividends received from subsidiaries amounting to MSEK 438 (8).

The parent company hedges both its own net currency flows, and those of the Group. The parent company's results include the results of hedging which also cover flows for the rest of the Group. This result amounted to MSEK 16 (143). Results include MSEK 47 (143) in operating profit and MSEK -31 (0) in net financial items.

Investment in tangible and intangible fixed assets excluding shares amounted to MSEK 364 (322). The average number of employees was 1,061 (1,133). Liquid assets and current investments amounted to MSEK 652 (265).

## **Long-term incentive programme (LTIP 2007)**

The 2007 AGM agreed to introduce a long-term incentive programme for Billerud and a related transfer of shareholdings. The programme comprises a share matching programme for all employees involving so-called matching shares, and an incentive scheme with so-called performance shares for senior executives and other key individuals within the Billerud Group. The main purpose of the incentive programme is to strengthen Billerud's ability to retain and motivate staff. The scheme aims to help Billerud achieve its financial targets and comes into effect as previous schemes come to an end. The purpose of the performance share scheme is to encourage senior executives and other key individuals, whose activities have a direct impact on Billerud's earnings, profitability and growth in value, by linking their interests and perspective with those of the company's shareholders.

In addition to continued employment at Billerud, the option to buy performance shares is linked to financial performance. In 2007 this means that Billerud's operating margin remains between 7 and 11% and is above certain comparable companies. In 2008 Billerud's operating margin must remain between 8 and 12% and be above certain comparable companies. In 2007-2009 overall Billerud's total return to shareholders shall exceed the total return for certain comparable paper industries in the Nordic region.

Within the framework of the scheme, Billerud's employees bought 58,527 shares at a price per share of SEK 104.50 from Billerud during May 2007. An additional maximum 133,776 shares may be acquired during the remaining period of the scheme. The expected outcome is 78,543 shares. This estimate is based on forecast staff turnover and expected utilisation.

The cost of the scheme in accordance with IFRS is calculated at MSEK 5. For the period January-December 2007 net earnings were affected by MSEK 0.7.

For further information about the scheme see the press release dated 26 March 2007.



## **Cost reduction measures**

### **Energy programme and long-term supply agreement**

In the period 2004-2006 Billerud carried out an extensive investment programme (worth MSEK 1,090) to reduce energy costs. The programme included investment in new steam turbines for back-pressure and the rebuild of bark boilers at all three Swedish mills and new electricity supply for the Gruvön mill.

The investments enable Billerud to generate around 0.9 TWh of electricity from its own production process out of a total requirement of 1.6 TWh. The remainder is currently purchased on the electricity market, with prices hedged for the coming 6 months approximately.

In May Billerud signed a ten-year fixed-price agreement for electricity supplies with Vattenfall. The agreement covers basic power of around 0.4 TWh per year for the period 2008 to 2017. Due to the agreement, Billerud has secured more than 80% of electricity requirements in a satisfactory manner with a balance between internal production and long-term supply agreements. The remainder will be purchased on spot markets or be covered by ongoing energy efficiency improvements.

### **Organisation**

During the period 2005-2007 Billerud has implemented a programme of change throughout the organisation called the Billerud 2007 project. The changes included a reduction of around 450 full-time jobs. Personnel changes were made at all four of the Group's mills.

The programme aimed to reduce annual costs by at least MSEK 250 compared with cost levels in 2004. Implementation started in 2005, and has so far proceeded largely according to plan. The programme for Skärblacka and Karlsborg was completed at the end of 2006. At Gruvön and Beetham the programme was agreed and negotiations were concluded during the second quarter. The reserve has been adjusted for the remaining costs of the Billerud 2007 project, which led to a difference of MSEK 27 that was returned during the second quarter. As of 31 December 2007, 95% of the targeted savings of MSEK 250 had been realised.

### **Process efficiency and further measures to improve efficiency**

Within the framework for Billerud's strategy for operational excellence, a scheme aimed at promoting process efficiency, entitled "One Billerud", has begun. This involves continuing work on improving efficiency and introducing shared master-class processes within maintenance, purchasing, order management, production, control and sales. During the second half of the year work started aimed at identifying additional measures to improve efficiency and reduce Billerud's fixed costs. This work includes a review of wood consumption figures, recipes and product specifications, the production mix and further opportunities for rationalisation within operations. More precise details will be announced in the second quarter of 2008.

## **The Billerud share**

### **Number of shares and share capital**

The share capital amounted to SEK 666,788,037.50 divided among 53,343,043 shares as of 31 December 2007. There were 51,491,570 shares on the market.

As of 31 December 2007 the distribution of shares was as follows:

Registered amount of shares	53 343 043
<u>Bought-back shares in company ownership</u>	<u>- 1 851 473</u>
Shares on the market	51 491 570

Since the end of 2004 there have been no share buy backs.

As of 22 May, 58,527 shares owned by the company were transferred to employees of the company within the framework of LTIP 2007 as approved by the AGM. Following the transfer, the company owns 1,851,473 of its own shares.

During the first quarter there were two new share issues connected with the exercising of convertible debentures. This resulted in the issue of 63,423 new shares, taking the registered total number of shares to 53,343,043. The convertible scheme for employees ended on 20 June 2007 and no further convertible debt instruments remain outstanding.

### **Annual General Meeting 2008, share dividend, etc.**

Billerud's Annual General Meeting will take place at Aula Magna, Stockholms universitet at 4 p.m. on 29 April 2008. Notification will be published in the Swedish daily press at the latest four weeks before the meeting. The annual report will be distributed in April and will be made available on the company's website.

The Billerud Board proposes a dividend for 2007 of SEK 3.50 (3.50) per share.

The record date for the right to receive the dividend is proposed to be 5 May 2008. It is expected that payment will be made through VPC on Thursday 8 May 2008.

In line with the decision made at the Billerud AB AGM on 3 May 2007, the Chairman of the Board has contacted the largest shareholders and as a result a nominations committee has been appointed as follows:

Michael M.F. Kaufmann, Frapag Vermögensverwaltung AG (changing name to Frapag Industrieholding AG), chairman

Anders Oscarsson, SEB Fonder and SEB Trygg Liv

Fredrik Nordström, AMF Pension Fondförvaltning AB

Ingvar Petersson, chairman of the Board of Billerud AB, is the secretary of the nominations committee.

## **Outlook**

The market outlook for the first part of the year is expected to remain stable, with supply and demand well balanced on most of Billerud's markets, although some of the smaller segments in the kraft paper sector are slowing down.

Good prospects for continued positive price development in most parts of Billerud's markets.

Wood costs per tonne of produced product in the first quarter of 2008 are expected to be at around the same level as in the second half of 2007.

Work continues on improving efficiency and reducing costs.

Stockholm, Sweden  
8 February 2008  
Billerud AB (publ)

*The Board of Directors*

## **Auditors' report**

*This statement has not been subject to a general review by the company's auditors.*

## **Future financial reports**

First quarter 2008	29 April 2008
Second quarter 2008	24 July 2008
Third quarter 2008	13 November 2008

The 2008 Annual General Meeting will be held at 4 p.m. on 29 April 2008 at Aula Magna, Stockholm University

The information is such that under the Securities and Clearing Operations Act, Billerud AB is obligated to publish it.

**Accounting principles**

The accounts are prepared in accordance with IAS 34 Interim reports and RR 31 Group Interim Reports. Concerning IAS 14 Segment reporting, see the comments on the business areas on page 5 of this report. The same accounting principles used in the most recent annual report have been used in this interim report. For definitions of key figures see the 2006 Annual Report pages 57-67 and page 93.

Method adjustments in the application of the Group's accounting principles occurred when drawing up the annual accounts for 2007. These adjustments were mainly connected with the assessment of inventories and fixed assets, and meant an improvement of MSEK 24 in operating profit for 2007. Results from previous periods were not adjusted. New headings have also been introduced for 2007 within the framework for operating costs, relating to the "Raw materials and consumables" and "Other external costs" items. Comparable figures for previous periods have been adjusted correspondingly.

Profit and Loss Account	3 months				Full year		
	Oct-Dec 2007	July-Sept 2007	Apr-June 2007	Jan-March 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
MSEK							
Net turnover	2 068	1 874	1 884	1 932	1 867	7 758	7 369
Other income	4	3	3	2	3	12	15
<b>Operating income</b>	<b>2 072</b>	<b>1 877</b>	<b>1 887</b>	<b>1 934</b>	<b>1 870</b>	<b>7 770</b>	<b>7 384</b>
Raw materials and consumables	-1 041	-987	-844	-862	-848	-3 734	-3 384
Change in stock	66	94	-62	-16	43	82	28
Other external expenses	-416	-408	-514	-438	-443	-1 776	-1 704
Staff expenses	-324	-303	-329	-321	-326	-1 277	-1 306
Depreciation	-113	-119	-121	-120	-120	-473	-466
<b>Profit share from associated companies</b>	<b>-1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>0</b>
<b>Operating expenses</b>	<b>-1 829</b>	<b>-1 724</b>	<b>-1 870</b>	<b>-1 757</b>	<b>-1 694</b>	<b>-7 180</b>	<b>-6 832</b>
<b>Operating profit</b>	<b>243</b>	<b>153</b>	<b>17</b>	<b>177</b>	<b>176</b>	<b>590</b>	<b>552</b>
Financial items	-34	-31	-26	-26	-26	-117	-95
<b>Profit after financial items</b>	<b>209</b>	<b>122</b>	<b>-9</b>	<b>151</b>	<b>150</b>	<b>473</b>	<b>457</b>
Tax	-56	-37	0	-44	-60	-137	-145
<b>Net profit for the period</b>	<b>153</b>	<b>85</b>	<b>-9</b>	<b>107</b>	<b>90</b>	<b>336</b>	<b>312</b>
<b>Earnings per share, SEK</b>	<b>2.96</b>	<b>1.65</b>	<b>-0.17</b>	<b>2.08</b>	<b>1.75</b>	<b>6.52</b>	<b>6.08</b>
<b>Earnings per share after full conversion, SEK</b>	<b>2.96</b>	<b>1.65</b>	<b>-0.17</b>	<b>2.07</b>	<b>1.75</b>	<b>6.52</b>	<b>6.07</b>
<b>Balance Sheet</b>			<b>31 Dec</b>	<b>30 Sept</b>	<b>30 June</b>	<b>31 March</b>	<b>31 Dec</b>
MSEK			<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>
Fixed assets			5 712	5 632	5 618	5 547	5 539
Stocks			936	872	742	767	727
Accounts receivable			1 486	1 373	1 402	1 304	1 201
Other current assets			350	345	280	159	283
Cash, bank balances and short-term investments			718	251	425	575	443
<b>Total assets</b>			<b>9 202</b>	<b>8 473</b>	<b>8 467</b>	<b>8 352</b>	<b>8 193</b>
Shareholders' equity			2 898	2 757	2 643	2 730	2 678
Interest-bearing liabilities			3 152	2 888	2 964	2 836	2 791
Interest-bearing provisions, pensions			173	173	170	167	164
Non-interest-bearing provisions			42	53	86	126	148
Deferred tax liabilities			1 369	1 237	1 235	1 199	1 225
Accounts payable			870	567	580	567	591
Other, non-interest-bearing liabilities			698	798	789	727	596
<b>Total shareholders' equity, provisions and liabilities</b>			<b>9 202</b>	<b>8 473</b>	<b>8 467</b>	<b>8 352</b>	<b>8 193</b>
<b>Specification of change in equity, MSEK</b>			<b>Jan-Dec</b>	<b>Jan-Sept</b>	<b>Jan-June</b>	<b>Jan-March</b>	<b>Full year</b>
			<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>
Opening equity			2 678	2 678	2 678	2 678	2 526
Profit/loss for the period			336	183	98	107	312
A Market value of financial instruments in accordance with IAS 39 used in hedge reserve			52	63	31	-64	6
Dividend			-180	-180	-180	-	-167
Convertible loan converted into shares			7	7	7	-	3
Sale of company shares, incentive programme			6	6	6	-	-
Market value of incentive programme			1	0	0	-	-
Translation difference in shareholders' equity			-2	0	3	2	-2
<b>Closing equity</b>			<b>2 898</b>	<b>2 757</b>	<b>2 643</b>	<b>2 730</b>	<b>2 678</b>

<b>Cash Flow Statement</b>	<b>Oct-Dec 2007</b>	Oct-Dec 2006	<b>Jan-Dec 2007</b>	Full year 2006	
Operating surplus, etc 1)	344	244	960	802	
Change in working capital, etc.	99	-82	-102	42	
Net financial items, taxes, etc.	-50	47	-128	-50	
<b>Cash flow from operating activities</b>	<b>393</b>	209	<b>730</b>	794	
Investment in fixed assets	-194	-157	-657	-643	
Sale of fixed assets	0	1	1	15	
<b>Cash flow from operating activities</b>	<b>-194</b>	-156	<b>-656</b>	-628	
Change in interest-bearing debt	267	-249	375	264	
Dividend	-	-	-180	-167	
Sale of own shares, incentive scheme	-	-	6	-	
<b>Cash flow from financing activities</b>	<b>267</b>	-249	<b>201</b>	97	
<b>Total cash flow (= change in liquid assets)</b>	<b>466</b>	-196	<b>275</b>	263	
<b>Liquid assets at the beginning of the period</b>	<b>251</b>	641	<b>443</b>	182	
<b>Translation difference in liquid funds</b>	<b>1</b>	-2	<b>0</b>	-2	
<b>Liquid assets at the end of the period</b>	<b>718</b>	443	<b>718</b>	443	
1) The amount for January-December 2007 includes an operating profit of MSEK 590, returned depreciation of MSEK 473, payment of structural costs of MSEK -106, and an increase in pension liabilities of MSEK 4. The amount for the period January-December 2006 includes the operating profit of MSEK 552, returned depreciation of MSEK 466, payment of structural costs of MSEK -219, and other items of MSEK 3.					
<b>Key indicators</b>	<b>Jan-Dec 2007</b>	Jan-Sept 2007	Jan-June 2007	Jan-Mar 2007	Jan-Dec 2006
<i>Margins</i>					
Gross margin, %	14	12	11	15	14
Operating margin, %	8	6	5	9	7
<i>Return (rolling 12 months)</i>					
Return on capital employed, %	11	10	11	13	11
Return on total capital, %	7	6	7	8	7
Return on equity, %	12	10	12	15	12
Return on equity after full conversion, %	12	10	12	15	12
<i>Capital structure at end of period</i>					
Capital employed, MSEK	5 506	5 567	5 352	5 157	5 190
Shareholders' equity, MSEK	2 898	2 757	2 643	2 730	2 678
Interest-bearing net debt, MSEK	2 607	2 810	2 708	2 427	2 513
Net debt/equity ratio, times	0,90	1,02	1,02	0,89	0,94
Net debt/equity ratio after full conversion, times	0,90	1,02	1,02	0,88	0,92
Equity ratio, %	31	33	31	33	33
Equity ratio after full conversion, %	31	33	31	33	33
<i>Per share</i>					
Earnings per share, SEK	6,52	3,56	1,91	2,08	6,08
Average no. of shares, '000	51 461	51 450	51 430	51 401	51 351
Earnings per share after dilution/full conversion, SEK	6,52	3,56	1,91	2,07	6,07
Average no. of shares after dilution/full conversion, '000	51 510	51 490	51 450	51 611	51 611
<i>Per share at end of period</i>					
Equity per share, SEK	56,29	53,55	51,33	53,08	52,12
No. of shares, '000	51 492	51 492	51 492	51 433	51 370
Equity per share after dilution/full conversion, SEK	56,20	53,47	51,25	53,29	52,41
No. of shares, '000	51 570	51 570	51 570	51 611	51 611
Gross investments, MSEK	657	463	322	126	643
Average no. of employees	2 364	2 388	2 389	2 317	2 476
<b>Key indicators, 5 years</b>	<b>2007</b>	2006	2005	2004	2003*
Net earnings, MSEK	336	312	-183	509	748
Earnings per share, SEK	6,52	6,08	-3,56	9,66	13,33
Return on equity, %	12	12	-7	16	23
Return on total capital, %	7	7	-3	11	16
Return on capital employed, %	11	11	-4	17	24
Equity ratio, %	31	33	33	43	48

\* Figures not according to IFRS

## Parent company

<b>Summarised income statement</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
<b>MSEK</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>
Operating income	943	3 423	3 311
Operating expenses	-874	-3 282	-3 010
<b>Operating profit/loss</b>	<b>69</b>	<b>141</b>	<b>301</b>
Financial items	324	227	-110
Profit/loss after financial items	393	368	191
<b>Appropriations</b>	<b>-1 900</b>	<b>-1 900</b>	<b>1 330</b>
Profit/loss before tax	-1 507	-1 532	1 521
<b>Tax</b>	<b>522</b>	<b>531</b>	<b>-432</b>
Net profit/loss	-985	-1 001	1 089

<b>Summarised balance sheet</b>	<b>31</b>	<b>30 Sept</b>	<b>31 Dec</b>
<b>MSEK</b>	<b>Dec</b>	<b>2007</b>	<b>2006</b>
Fixed assets	4 114	4 137	4 136
Current assets	4 103	2 180	2 189
<b>Total assets</b>	<b>8 217</b>	<b>6 317</b>	<b>6 325</b>
<b>Shareholders' equity</b>	<b>1 365</b>	<b>1 666</b>	<b>1 849</b>
<b>Untaxed reserves</b>	<b>1 900</b>	<b>-</b>	<b>-</b>
<b>Allocations</b>	<b>419</b>	<b>684</b>	<b>754</b>
<b>Long-term liabilities</b>	<b>2 077</b>	<b>2 143</b>	<b>1 809</b>
<b>Current liabilities</b>	<b>2 456</b>	<b>1 824</b>	<b>1 913</b>
Total shareholders' equity, allocations and liabilities	8 217	6 317	6 325

## Business areas

The business areas' results have been re-stated since last year excluding the effects of currency hedging. From 2007 onward the business areas' results are also reported excluding the share of currency effects relating to changes in value of current assets in foreign currency. This currency exposure is managed centrally and is hedged to a large extent and therefore reported in the item for Currency hedging etc. The Currency hedging etc. item therefore shows the net amount of the profit/loss from currency hedging and currency restatements of current assets including currency effects at the time of payment. Last year's comparable figures have been adjusted for comparison.

The part of currency exposure relating to the effects of currency changes in the invoicing exchange rate will continue to be reported as part of the business areas' profit/loss.

### Quarterly breakdown of net turnover by business area and for the Group

MSEK	2007					2006				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	3 989	1 072	969	960	988	3 750	926	948	927	949
Packaging Boards	2 171	577	546	508	540	2 188	559	541	542	546
Market Pulp	1 556	382	360	425	389	1 382	353	355	356	318
Currency hedging	42	37	-1	-9	15	49	29	34	14	-28
Other and eliminations	0	0	-	-	-	-	-	-	-	-
Total Group	7 758	2 068	1 874	1 884	1 932	7 369	1 867	1 878	1 839	1 785

### Quarterly breakdown of operating profit by business area and for the Group

MSEK	2007					2006				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	355	144	96	17	98	350	91	116	80	63
Packaging Boards	179	71	64	-9	53	175	58	56	18	43
Market Pulp	81	22	11	16	32	46	23	23	6	-6
Currency hedging	42	37	-1	-9	15	49	29	34	14	-28
Other and eliminations	-67	-31	-17	2	-21	-68	-25	-24	-11	-8
Total Group	590	243	153	17	177	552	176	205	107	64

### Quarterly operating margin per business area and for the Group

%	2007					2006				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	9	13	10	2	10	9	10	12	9	7
Packaging Boards	8	12	12	-2	10	8	10	10	3	8
Market Pulp	5	6	3	4	8	3	7	6	2	-2
Group	8	12	8	1	9	7	9	11	6	4

### Quarterly delivery volumes per business area

'000 tonnes	2007					2006				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	544	144	130	131	139	535	134	135	132	134
Packaging Boards	463	118	114	111	120	515	129	125	131	130
Market Pulp	326	79	74	89	84	314	76	78	82	78
Total	1 333	341	318	331	343	1 364	339	338	345	342